

Auditing Procedures Report

Issued under P.A. 2 of 1966, as amended and P.A. 71 of 1918, as amended.

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input type="checkbox"/> Twp <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Unit Name City of River Rouge Economic Dev Corp.	County Wayne
Fiscal Year End June 30, 2006	Opinion Date December 21, 2006	Date Audit Report Submitted to State	

We affirm that:

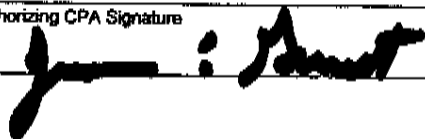
We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).

- YES NO Check each applicable box below. (See instructions for further detail.)
- ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
 - ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
 - ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
 - ☒ ☐ The local unit has adopted a budget for all required funds.
 - ☒ ☐ A public hearing on the budget was held in accordance with State statute.
 - ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
 - ☒ ☐ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
 - ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
 - ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
 - ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
 - ☒ ☐ The local unit is free of repeated comments from previous years.
 - ☒ ☒ The audit opinion is UNQUALIFIED.
 - ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
 - ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
 - ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)		
Financial Statements	<input checked="" type="checkbox"/>			
The letter of Comments and Recommendations	<input type="checkbox"/>			
Other (Describe)	<input type="checkbox"/>			
Certified Public Accountant (Firm Name) James E. Garrett and Associates		Telephone Number (313) 842-8297		
Street Address 10475 West Jefferson Avenue		City River Rouge	State MI	Zip 48218
Authorizing CPA Signature 		Printed Name James E. Garrett		License Number 1101016898

Economic Development Corporation of the City of River Rouge, Michigan

Financial Report

June 30, 2006

Economic Development Corporation of the City of River Rouge, Michigan

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INDEPENDENT AUDITOR'S REPORT

To the Board of Director of the
Economic Development Corporation
of the City of River Rouge, Michigan

We have audited the general purpose financial statements of the City of River Rouge, Michigan, for the year ended June 30, 2006 and have issued our reports thereon dated December 27, 2006, which expressed an adverse opinion due to the omission of the government-wide statements and the full accrual data for the combining statements of the discretely presented component units, the omission of the general infrastructure assets and accumulated depreciation on general fixed assets, and the presentation of its governmental funds, proprietary funds, and fiduciary funds. These general purpose financial statements are the responsibility of the City's management. Our responsibility is to express an opinion on the general purpose financial statements based on our audit.

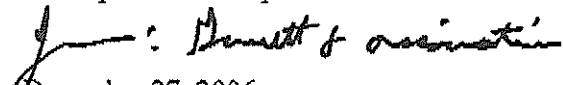
We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

Our audit was conducted for the purpose of forming an opinion on the general purpose financial statements. The accompanying general purpose financial statements of the Economic Development Corporation of the City of River Rouge, Michigan are presented for the purpose of additional analysis and are not a required part of the City of River Rouge, Michigan's general purpose financial statements. The information has been subjected to the auditing procedures applied in the audit of the general purpose financial statements.

The accompanying general purpose financial statements of the Economic Development Corporation presents only the modified accrual data of the Corporation. Accounting principles generally accepted in the United States of America require the additional presentation of full accrual data in these statements.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the general purpose financial statements referred to above do not present fairly, in conformity with generally accepted accounting principles accepted in the United States of America, the financial position of the City of River Rouge, Michigan's Economic Development Corporation as of June 30, 2006 or the changes in its financial position for the year then ended.

The accompanying financial statements also do not include management's discussion and analysis, which would present an analysis of the financial performance for the year. The Governmental Accounting Standards Board has determined that this analysis is necessary to supplement, although not required to be a part of the financial statements.

: Bennett & Associates
December 27, 2006

Economic Development Corporation of the City of River Rouge, Michigan

Balance Sheet June 30, 2006

Assets

Cash and cash equivalents (Note 2)	\$ 208,856
Loans receivable (Note 3)	9,009
Land contracts receivable (Note 4)	<u>32,497</u>
Total assets	<u><u>\$ 250,362</u></u>

Liabilities and Fund Balance

Liabilities - Security deposits	\$ 11,052
Fund Balance	
Reserved (Note 5)	86,589
Unreserved	<u>152,721</u>
Total fund balance	<u>239,310</u>
Total liabilities and fund balance	<u><u>\$ 250,362</u></u>

Economic Development Corporation of the City of River Rouge, Michigan

Statement of Revenue, Expenditures, and Changes in Fund Balance Year Ended June 30, 2006

Revenue

Rental income - Building	\$ 217,172
Rental income - Sprint Tower	17,940
Interest	5,496
Miscellaneous revenue	<u>75,196</u>

Total revenue 315,804

Expenditures

Project expenses	47,459
Rental expenses	262,888
Debt service	<u>107,768</u>

Total expenditures 418,115

Excess of Expenditures Over Revenue (102,311)

Other Financing Sources - Operating transfers from City of River Rouge 51,193

Net Change in Fund Balance (51,118)

Fund Balance - July 1, 2005 290,428

Fund Balance - June 30, 2006 \$ 239,310

Economic Development Corporation of the City of River Rouge, Michigan

**Notes to Financial Statements
June 30, 2006**

Note I - Significant Accounting Policies

The Economic Development Corporation of the City of River Rouge, Michigan (the "Corporation") is organized pursuant to the State of Michigan, Public Act No. 338 of 1974, as amended, and to a City of River Rouge resolution. The primary purpose of the Corporation is to encourage and assist commercial and industrial enterprises to locate and expand facilities and services to the City and its residents. This purpose is accomplished by the issuance of limited obligation revenue bonds by the Corporation. The Corporation issues the limited obligation revenue bonds and, in effect, loans the bond proceeds to commercial and industrial enterprises to finance the cost of projects to be used by such enterprises. The bonds are sometimes, but not always, collateralized by a mortgage on the project or sale/leaseback documentation. In return, the benefited enterprise agrees to pay loan repayments or lease rentals in amounts sufficient to pay debt service on the bonds.

The accounting policies of the Corporation do not conform to accounting principles generally accepted in the United States of America as applicable to governmental units. The Corporation has not modified its financial reporting to adopt Governmental Accounting Standards Board (GASB) Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*. As such, the financial statements exclude the management's discussion and analysis, and furthermore, the Corporation has continued to report information by account group and has excluded accumulated depreciation on general fixed assets.

The Corporation is a discretely presented component unit of the City of River Rouge, Michigan and is included in the general purpose financial statements of the City of River Rouge, Michigan at June 30, 2006.

Fund Accounting

The accounts of the Corporation are organized on the basis of a fund and an account group, each of which is considered a separate accounting entity. The fund of the Corporation consists solely of a governmental fund type.

Basis of Accounting

The Corporation utilizes the modified accrual method of accounting. Modifications in such method from the accrual basis are as follows:

- a. Noncurrent receivables, such as long-term loans, are recorded at full value and fund balance is reserved for the portion not available for use to finance operations as of year end.

Economic Development Corporation of the City of River Rouge, Michigan

Notes to Financial Statements June 30, 2006

Note 1 - Significant Accounting Policies (Continued)

- b. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- c. Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase.
- d. Normally, expenditures are not divided between years by the recording of prepaid expenses.

Note 2 - Cash and Cash Equivalents

The Corporation's cash and cash equivalents at June 30, 2006 are composed solely of bank deposits. The deposits were reflected in the accounts of the bank (without recognition of checks written but not yet cleared or of deposits in transit) at approximately \$182,400. Of that amount, approximately \$114,300 was covered by federal depository insurance and the remainder was uninsured and uncollateralized. The Corporation believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Corporation evaluates each financial institution; only those institutions with an acceptable estimated risk level are used as depositories.

Note 3 - Loans Receivable

At June 30, 2006, loans receivable consist of several loans issued by the Economic Development Corporation of the City of River Rouge, Michigan to finance various community development projects. These loans bear interest ranging from 0 percent to 5 percent and are receivable in total monthly principal and interest installments of approximately \$5,100 through April 2009. The current and long-term portions of this receivable are \$4,941 and \$4,068, respectively.

Economic Development Corporation of the City of River Rouge, Michigan

Notes to Financial Statements June 30, 2006

Note 4 - Land Contracts Receivable

During a prior year, the Economic Development Corporation of the City of River Rouge, Michigan sold two buildings on land contracts. The notes receivable bear interest ranging from 6.5 percent to 8 percent and are receivable in total monthly principal and interest installments through September 2008. The current and long-term portions of these receivables are \$17,153 and \$15,344, respectively.

Note 5 - Reserved Fund Balance

Fund balance has been reserved for noncurrent receivables of \$19,412 and for noncurrent interfund receivables of \$67,177.

Note 6 - Risk Management

The Corporation is exposed to various risks of loss related to property loss, torts, and errors and omissions. The Corporation has purchased commercial insurance for property loss claims and was uninsured for general liability claims from June 30, 1991 to December 31, 1995. From December 1995 through November 2001, the Corporation participated in the Michigan Municipal League risk pool for both property loss and general liability claims.

On December 1, 2001, the Corporation joined the Michigan Municipal Risk Management Authority. This risk pool program operates as a claims servicing pool for amounts up to member retention limits, and operates as a common risk-sharing management program for losses in excess of member retention amounts. Although premiums are paid annually to the Authority that the Authority uses to pay claims up to the retention limits, the ultimate liability for those claims remains with the Corporation.

The Corporation estimates the liability for general liability claims that have been incurred through the end of the fiscal year, including both those claims that have been reported as well as those that have not yet been reported. These estimates related to the City are recorded in the general purpose financial statements at June 30, 2006. Total estimated liabilities and claims paid by the Corporation were insignificant for the year ended June 30, 2006.